

111TH CONGRESS  
1ST SESSION

# S. 1781

To provide for a demonstration program to reduce frequent use of health services by Medicaid beneficiaries with chronic illnesses by providing coordinated care management and community support services.

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## IN THE SENATE OF THE UNITED STATES

OCTOBER 14, 2009

Mrs. SHAHEEN (for herself, Mr. BROWN, and Mr. MENENDEZ) introduced the following bill; which was read twice and referred to the Committee on Finance

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## A BILL

To provide for a demonstration program to reduce frequent use of health services by Medicaid beneficiaries with chronic illnesses by providing coordinated care management and community support services.

1       *Be it enacted by the Senate and House of Representa-*  
2       *tives of the United States of America in Congress assembled,*

3       **SECTION 1. SHORT TITLE.**

4       This Act may be cited as the “Reducing Emergency  
5       Department Utilization through Coordination and Em-  
6       powerment Demonstration Program Act” or the “RE-  
7       DUCE Demonstration Program”.

1 **SEC. 2. DEFINITIONS.**

2 In this Act:

3 (1) CHRONIC CONDITION.—The term “chronic  
4 condition” means a chronic medical condition that is  
5 life-threatening or may result in permanent dis-  
6 ability, including—

7 (A) asthma;

8 (B) cancer;

9 (C) chronic obstructive pulmonary disease;

10 (D) congestive heart failure or arrhythmia;

11 (E) diabetes;

12 (F) HIV/AIDS;

13 (G) liver disease;

14 (H) post-traumatic stress disorder;

15 (I) renal failure;

16 (J) rheumatologic disease;

17 (K) severe mental illness;

18 (L) substance abuse disorder;

19 (M) thromboembolic disease;

20 (N) traumatic brain injury resulting in  
21 cognitive impairment;

22 (O) chronic pain; and

23 (P) any other chronic medical condition  
24 that has been identified by a State and ap-  
25 proved by the Secretary for inclusion under the  
26 REDUCE demonstration program.

1 (2) FREQUENT USER OF HEALTH SERVICES.—

2 The term “frequent user of health services” means  
3 an individual who uses the emergency department, is  
4 admitted to the hospital, or uses other inpatient  
5 services frequently.

6 (3) MEDICAID.—The term “Medicaid” means  
7 the Federal and State medical assistance program  
8 established under title XIX of the Social Security  
9 Act (42 U.S.C. 1396 et seq.).

10 (4) PARTICIPATING STATE.—The term “partici-  
11 pating State” means a State with an approved appli-  
12 cation (as described in section 3(b)(1)) that has en-  
13 tered into an agreement with the Secretary to con-  
14 duct a REDUCE demonstration program.

15 (5) REDUCE DEMONSTRATION PROGRAM.—  
16 The term “REDUCE demonstration program”  
17 means a program described in section 3 that is con-  
18 ducted pursuant to an agreement between the Sec-  
19 retary and a participating State.

20 (6) SAFETY NET HOSPITAL.—The term “safety  
21 net hospital” means a hospital with a low-income  
22 utilization rate greater than 25 percent (as defined  
23 under section 1923(b)(3) of the Social Security Act  
24 (42 U.S.C. 1396r-4(b)(3)));

1           (7) SECRETARY.—The term “Secretary” means  
2           the Secretary of Health and Human Services.

3           (8) STATE.—The term “State” has the mean-  
4           ing given that term for purposes of Medicaid.

5           (9) TARGETED MEDICAID BENEFICIARY.—

6           (A) IN GENERAL.—The term “targeted  
7           Medicaid beneficiary” means an individual who  
8           has—

9                   (i) attained age 19 and is eligible for  
10                  medical assistance under a State plan or  
11                  waiver under Medicaid;

12                  (ii) been diagnosed with 2 or more  
13                  chronic conditions;

14                  (iii) been identified by a participating  
15                  State as a frequent user of health services;  
16                  and

17                  (iv) been identified by a participating  
18                  State as likely to benefit from participation  
19                  in the REDUCE demonstration program  
20                  (pursuant to the needs-based criteria de-  
21                  scribed in section 3(c)(3)).

22           (B) VOLUNTARY PARTICIPATION.—A tar-  
23           geted Medicaid beneficiary may participate in  
24           the REDUCE demonstration program on a vol-

1           untary basis and may terminate participation at  
2           any time.

3 **SEC. 3. REDUCE DEMONSTRATION PROGRAM.**

4           (a) IN GENERAL.—The Secretary shall establish the  
5 REDUCE demonstration program under which the Sec-  
6 retary shall enter into agreements with States to provide  
7 for the development, implementation, and evaluation of in-  
8 novative approaches to coordinated care management and  
9 increased access to community support services for tar-  
10 geted Medicaid beneficiaries in order to reduce hospital  
11 admissions and the use of emergency health care services.

12           (b) APPLICATION AND AGREEMENTS.—

13           (1) APPLICATION.—A State seeking to partici-  
14 pate in the REDUCE demonstration program shall  
15 submit to the Secretary, in such form and manner  
16 as the Secretary shall require, an application that, in  
17 addition to such other information as the Secretary  
18 may require, contains—

19           (A) a description of the proposed dem-  
20 onstration program, including the information  
21 specified in paragraphs (2) through (4) of sub-  
22 section (c); and

23           (B) a plan for ensuring continuity of serv-  
24 ices for targeted Medicaid beneficiaries who are  
25 participating in the program on such date that

1 the demonstration program ceases to be con-  
 2 ducted in the State.

3 (2) AGREEMENT.—

4 (A) IN GENERAL.—Not later than 12  
 5 months after the date of enactment of this Act,  
 6 the Secretary shall enter into agreements with  
 7 not more than 10 States to conduct the RE-  
 8 DUCE demonstration program in accordance  
 9 with the requirements of this section.

10 (B) DURATION.—An agreement entered  
 11 into by the Secretary and a State to conduct a  
 12 REDUCE demonstration program shall be for  
 13 a period of 5 years.

14 (c) DEMONSTRATION PROGRAM REQUIREMENTS.—

15 (1) INDIVIDUALIZED CARE PLANS.—

16 (A) IN GENERAL.—A REDUCE dem-  
 17 onstration program shall be designed to im-  
 18 prove the health outcomes for targeted Med-  
 19 icaid beneficiaries participating in the program,  
 20 reduce hospital admissions and frequent usage  
 21 of emergency care services, and reduce associ-  
 22 ated costs under Medicaid by—

23 (i) identifying health care providers  
 24 that provide integration of primary care  
 25 and behavioral health services through co-

location of such services or use of multidisciplinary integrated treatment teams that work collaboratively to provide comprehensive and evidence-based treatment, rehabilitation, and support services for targeted Medicaid beneficiaries;

(ii) providing targeted Medicaid beneficiaries with an individualized care plan (developed in consultation with the beneficiary and the beneficiary's support staff, medical care providers, and family) that provides for flexible services that are based on an examination of the beneficiary's individual care needs (as determined through application of needs-based criteria under paragraph (3)); and

(iii) providing access to a care management team that—

(I) includes, at a minimum—

(aa) a physician, physician assistant, or nurse practitioner;

(bb) a social worker; and

(cc) a community health worker (as licensed or defined by the participating State); and

1 (II) provides health care services,  
 2 coordination of primary and specialty  
 3 care, and assistance with social serv-  
 4 ices in a home or shelter setting.

5 (B) PHYSICIAN, PHYSICIAN ASSISTANT, OR  
 6 NURSE PRACTITIONER.—For purposes of the  
 7 care management team described under sub-  
 8 paragraph (A)(iii), such team shall include a  
 9 physician or, if a physician is not available, a  
 10 physician assistant or nurse practitioner who  
 11 may provide such health care services as are  
 12 within their authorized scope of practice (as de-  
 13 termined by the participating State).

14 (C) BEST PRACTICES.—Delivery of health  
 15 care services provided pursuant to an individ-  
 16 ualized care plan (as described in subparagraph  
 17 (A)(ii)) shall be determined based upon best  
 18 practices and research regarding—

19 (i) effective strategies for improving  
 20 health outcomes (including behavioral  
 21 health outcomes) and quality of life; and  
 22 (ii) cost-effective methods for delivery  
 23 of health care services.

24 (2) STATE PLAN AND PROJECTIONS.—



1 (A) IN GENERAL.—A participating State  
2 shall provide the Secretary with a proposal for  
3 the development and implementation of the RE-  
4 DUCE demonstration program that includes—

5 (i) a projection of the number of tar-  
6 geted Medicaid beneficiaries that the State  
7 expects to participate in the REDUCE  
8 demonstration program; and

9 (ii) identification of targeted Medicaid  
10 beneficiaries through individual assessment  
11 and analysis of data from Medicaid claims,  
12 hospital records, or other informational  
13 sources to identify beneficiaries that  
14 have—

15 (I) engaged in frequent use of  
16 emergency, inpatient, or crisis serv-  
17 ices; or

18 (II) exhibited identified risk fac-  
19 tors that indicate the probability of  
20 frequent use of emergency, inpatient,  
21 or crisis services;

22 (iii) a strategy for outreach to tar-  
23 geted Medicaid beneficiaries to provide in-  
24 dividualized health care services in order to  
25 reduce hospital admissions and prevent fre-

1           quent use of emergency, inpatient, or crisis  
2           services; and

3           (iv) criteria for selection of health  
4           care providers (including behavioral health  
5           care providers) that have demonstrated  
6           their experience and capacity to effectively  
7           engage and serve individuals that—

8                       (I) have been diagnosed with 2 or  
9                       more chronic conditions; or

10                      (II) exhibit other risk factors  
11                      identified by the State.

12           (B) GAINSHARING.—Subject to approval  
13           by the Secretary, a participating State may de-  
14           velop and establish a gainsharing arrangement  
15           among health care providers participating in  
16           the REDUCE demonstration program to allow  
17           such providers to retain a share of any savings  
18           generated through the demonstration program  
19           in order to encourage improved outcomes and  
20           increased efficiency.

21           (C) LIMITATION.—A participating State  
22           may, on a statewide or regional basis, provide  
23           for a limit on the total number of targeted  
24           Medicaid beneficiaries that may be eligible for  
25           services under the REDUCE demonstration

1 program and may establish a waiting list for  
2 such services.

3 (D) PRIORITY CONSIDERATIONS.—

4 (i) IN GENERAL.—In reviewing cri-  
5 teria established by a participating State  
6 for selection of health care providers (as  
7 described in subparagraph (A)(iv)), the  
8 Secretary shall give priority to a State that  
9 includes in such selection—

10 (I) safety net providers, including  
11 public hospitals, federally qualified  
12 health centers (as described under  
13 section 1905(l)(2)(B) of the Social Se-  
14 curity Act (42 U.S.C.  
15 1396d(i)(2)(B))), and community  
16 mental health centers (as described  
17 under section 1861(ff)(3)(B) of such  
18 Act (42 U.S.C. 1395x(ff)(3)(B)));

19 (II) health provider coalitions  
20 that—

21 (aa) have a geographic, com-  
22 munity-based focus;

23 (bb) are based out of—

24 (AA) a federally quali-  
25 fied health center;

1 (BB) an university or  
2 academic medical center;

3 (CC) a hospital (includ-  
4 ing a safety net hospital);

5 (DD) a private entity  
6 whose purpose is to improve  
7 access to community health  
8 care services for high-risk  
9 individuals and those requir-  
10 ing primary care services; or

11 (EE) a similar organi-  
12 zation; and

13 (cc) have agreements with  
14 not less than 2 hospitals, a hous-  
15 ing agency, a mental health pro-  
16 vider, and not less than 2 pri-  
17 mary care physicians within the  
18 local community; and

19 (III) programs that have dem-  
20 onstrated a capacity to share, com-  
21 bine, and analyze health data for fre-  
22 quent users of health services through  
23 data sharing agreements with multiple  
24 local health institutions.

1                   (ii) REIMBURSEMENT.—The Secretary  
2                   shall not waive any requirements under  
3                   title XIX of the Social Security Act relat-  
4                   ing to services provided by, or reimburse-  
5                   ment provided to, federally qualified health  
6                   centers for purposes of the REDUCE dem-  
7                   onstration program. To the extent that  
8                   participation by a federally qualified health  
9                   center or safety net hospital in the RE-  
10                  DUCE demonstration program requires  
11                  the center or hospital to provide services  
12                  that are not covered under the State plan,  
13                  the participating State shall be required to  
14                  fully reimburse the center or hospital for  
15                  the cost of such services.

16               (3) NEEDS-BASED CRITERIA.—A participating  
17               State shall establish needs-based criteria for deter-  
18               mining the eligibility of individuals for participation  
19               in the REDUCE demonstration program. The cri-  
20               teria shall provide for consideration of an individ-  
21               ual's medical history, including—

- 22                       (A) the number and severity of chronic  
23                       conditions;  
24                       (B) functional impairments;  
25                       (C) care and support needs;

1 (D) any recent patterns of excessive utili-  
2 zation of emergency or inpatient care in a hos-  
3 pital or similar facility; and

4 (E) other factors which the State deter-  
5 mines are associated with increased hospital ad-  
6 missions or frequent utilization of emergency,  
7 inpatient, or crisis services (including housing  
8 status and other social determinants of health  
9 status).

10 (4) COVERED SERVICES.—

11 (A) IN GENERAL.—A participating State  
12 shall provide the Secretary with a comprehen-  
13 sive list of services that shall be available to  
14 targeted Medicaid beneficiaries under the RE-  
15 DUCE demonstration program. Such services  
16 shall be established and targeted to reduce fre-  
17 quent utilization of health services by targeted  
18 Medicaid beneficiaries.

19 (B) ADDITIONAL SERVICES.—Upon re-  
20 quest by the State and subject to approval by  
21 the Secretary, a participating State may pro-  
22 vide additional services under the demonstra-  
23 tion program that are not covered under the  
24 State plan upon a showing that such services

1 will reduce avoidable utilization of health serv-  
2 ices by targeted Medicaid beneficiaries.

3 (d) WAIVER.—Except as provided in subsection  
4 (c)(2)(D)(ii), the Secretary may waive such requirements  
5 of titles XI, XVIII, and XIX of the Social Security Act  
6 as the Secretary determines necessary for a participating  
7 State to conduct the REDUCE demonstration program.

8 **SEC. 4. EVALUATION AND REPORT.**

9 (a) EVALUATION.—

10 (1) IN GENERAL.—Subject to paragraph (2),  
11 the Secretary shall, by grant, contract, or inter-  
12 agency agreement, provide for an evaluation of the  
13 REDUCE demonstration programs conducted by  
14 participating States under this Act, including an as-  
15 sessment of whether the demonstration programs—

16 (A) reduce avoidable hospitalizations or  
17 other institutional admissions (including at in-  
18 termediate care facilities for the mentally re-  
19 tardated or nursing facilities);

20 (B) reduce the use of ambulances, hospital  
21 emergency health services, detoxification treat-  
22 ments, or emergency mental health services;

23 (C) reduce expenditures under the Med-  
24 icaid program; and

1 (D) improve the overall health status and  
2 satisfaction of the targeted Medicaid bene-  
3 ficiaries participating in the program (including  
4 improvements in housing status and other so-  
5 cial determinants of health status).

6 (2) EVALUATION REQUIREMENTS.—The evalua-  
7 tion shall be conducted by an entity that has dem-  
8 onstrated experience with care improvement pro-  
9 grams. Such evaluation shall be conducted on an on-  
10 going basis throughout the duration of the dem-  
11 onstration program.

12 (b) REPORT.—Not later than 12 months after com-  
13 pletion of all REDUCE demonstration programs con-  
14 ducted by participating States under this Act, the Sec-  
15 retary shall prepare and submit a final report on the re-  
16 sults of the evaluation to Congress that contains rec-  
17 ommendations for such legislative and administrative ac-  
18 tions as the Secretary determines appropriate to develop  
19 additional programs to provide coordinated care for indi-  
20 viduals with complex medical and behavioral health condi-  
21 tions and reduce avoidable hospital readmissions and the  
22 use of emergency health care services.

23 **SEC. 5. FUNDING.**

24 (a) MANNER OF PAYMENT.—The Secretary shall pay  
25 each participating State a quarterly payment for expendi-



1 tures for providing a covered service (as specified in sec-  
2 tion 3(c)(4)) to targeted Medicaid beneficiaries that par-  
3 ticipate in the REDUCE demonstration program con-  
4 ducted by the State. Such payments shall be made in the  
5 same manner as other quarterly payments are made to  
6 the State under section 1903(a) of the Social Security Act  
7 (42 U.S.C. 1396b(a)).

8 (b) MATCHING RATE.—Subject to subsection (c), the  
9 Secretary shall pay a participating State for State expend-  
10 itures described in subsection (a)—

11 (1) for fiscal years 2011 or 2012, 100 percent  
12 of the amount of such expenditures for the fiscal  
13 year; and

14 (2) for fiscal years 2013, 2014, or 2015, 75  
15 percent of the amount of such expenditures for the  
16 fiscal year.

17 (c) LIMITATION ON FUNDS.—The total amount of  
18 payments under this Act shall not exceed \$150,000,000  
19 for the period of fiscal years 2011 through 2015.

20 (d) APPROPRIATION.—

21 (1) IN GENERAL.—Out of any funds in the  
22 Treasury not otherwise appropriated, there is appro-  
23 priated to the Secretary to carry out this Act,  
24 \$150,000,000 for the period of fiscal years 2011

1 through 2015, of which \$15,000,000 shall be used  
2 for the evaluation required under section 4.

3 (2) BUDGET AUTHORITY.—This Act constitutes  
4 budget authority in advance of appropriations Acts  
5 and represents the obligation of the Secretary to  
6 provide for the payment of amounts provided under  
7 this Act.

○